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UNCLAS SECTION 01 OF 13 TOKYO 000545

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;  
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;  
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;  
SECDEF FOR JCS-J-5/JAPAN,  
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA  
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;  
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

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TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/11/09

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- (1) Sankei-FNN poll on Aso cabinet, political parties

SANKEI (Page 5) (Full)  
March 10, 2009

Questions & Answers

(Note) Figures shown in percentage. Figures in parentheses denote findings from a previous Sankei-FNN survey conducted Feb. 21-22.

Q: Do you support the Aso cabinet?

Yes 17.0 (11.4)  
No 71.0 (80.2)  
Don't know (D/K) 12.0 (8.4)

Q: Which political party do you support?

Liberal Democratic Party (LDP) 26.6 (21.9)  
Democratic Party of Japan (DPJ or Minshuto) 23.9 (25.9)  
New Komeito (NK) 4.0 (3.7)  
Japanese Communist Party (JCP) 3.2 (4.2)  
Social Democratic Party (SDP or Shaminto) 1.8 (1.2)  
People's New Party (PNP or Kokumin Shinto) 0.7 (0.5)  
Reform Club (RC or Kaikaku Kurabu) 0.1 (0.1)  
New Party Nippon (NPN or Shinto Nippon) 0.1 (0.1)  
Other political parties 1.5 (1.3)  
None 37.0 (37.8)  
D/K 1.1 (3.3)

Q: Do you appreciate Prime Minister Aso and his cabinet on the following points?

Prime Minister Aso's personal character

Yes 24.0 (23.8)  
No 66.9 (69.3)  
D/K 9.1 (6.9)

Prime Minister Aso's leadership

Yes 7.5 (7.0)  
No 85.5 (87.5)  
D/K 7.0 (5.5)

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Economic policy

Yes 16.3 (10.3)  
No 72.3 (82.1)  
D/K 11.4 (7.6)

Foreign policy

Yes 24.8 (19.0)  
No 56.3 (61.5)  
D/K 18.9 (19.5)

Q: What do you want the Aso government to do?

Consumer policy 4.3 (5.5)  
Social security 23.8 (24.3)  
North Korea problem 2.8 (2.2)  
Tax reform, including consumption tax 4.9 (4.3)  
Global warming 1.8 (2.3)  
Review the government's wasteful spending 21.2 (23.8)  
Economic stimulus measures 26.9 (26.2)  
Politics and money 4.3 (---)  
Review postal privatization 3.3 (2.3)  
D/K 6.7 (7.6)

Q: When comparing Prime Minister Aso and DPJ President Ozawa, who do you think is trustworthier?

Prime Minister Aso 32.7 (23.6)  
DPJ President Ozawa 31.4 (43.8)  
D/K 35.9 (32.6)

Q: When comparing Prime Minister Aso and DPJ President Ozawa, who do you think is better in terms of policies?

Prime Minister Aso 25.0 (19.9)  
DPJ President Ozawa 40.2 (45.2)  
D/K 34.8 (34.9)

Q: When comparing Prime Minister Aso and DPJ President Ozawa, who do you think is more appealing in election campaigning?

Prime Minister Aso 28.4 (---)  
DPJ President Ozawa 34.3 (---)  
D/K 37.3 (---)

Q: When comparing Prime Minister Aso and DPJ President Ozawa, who do you think is more appropriate for prime minister?

Prime Minister Aso 23.2 (18.9)  
DPJ President Ozawa 29.8 (44.4)  
D/K 47.0 (36.7)

Q: DPJ President Ozawa's secretary was arrested on suspicion of violating the Political Funds Control Law. Do you think DPJ President Ozawa has fulfilled his accountability?

Yes 18.2  
No 76.6  
D/K 5.2

Q: Did your image of DPJ President Ozawa worsen?

Yes 64.0

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No 31.9  
D/K 4.1

Q: Did your image of the DPJ worsen?

Yes 50.9  
No 43.9  
D/K 5.2

Q: Did your image of politics worsen in its entirety?

Yes 66.7  
No 28.1  
D/K 5.2

Q: Do you think it was inappropriate to investigate when an election is close at hand for the House of Representatives?

Yes 46.9  
No 39.9  
D/K 13.2

Q: Do you think DPJ President Ozawa should resign as his party's head to take responsibility?

Yes 47.4  
No 41.4  
D/K 11.2

Q: How do you plan to spend the cash benefit?

Buy foodstuffs, daily necessities 48.0  
Buy luxuries, spend for pleasure 27.8  
Save the money 17.5  
Won't receive the money 2.7  
D/K 4.0

Q: Where do you plan to spend the cash benefit?

In local communities 69.8  
Outside local communities 14.3  
Won't spend the money + won't receive the money 13.1  
D/K 2.8

Q: How is your local government's cash handout?

Payout began, and I received the money 0.2  
Payout began, but I have yet to receive the money 0.9  
Payout expected to begin within the month 4.6  
Payout expected to begin next month or later 28.0  
Don't know when payout will begin 66.0  
Other answers + can't say 0.3

Q: Who do you think is most appropriate now for Japan's prime minister among the following politicians in the ruling and opposition parties?

Taro Aso 4.4 (3.4)  
Shigeru Ishiba 4.6 (4.3)  
Nobuteru Ishihara 4.6 (6.2)  
Yuriko Koike 4.5 (3.8)  
Junichiro Koizumi 10.1 (7.9)

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Hidenao Nakagawa 1.5 (---)  
Yoichi Masuzoe 9.4 (5.4)  
Nobutaka Machimura 1.5 (---)  
Kaoru Yosano 8.3 (6.8)  
Other ruling party lawmakers 2.2 (2.2)  
Yoshimi Watanabe 4.7 (5.1)  
Ichiro Ozawa 5.1 (13.4)  
Katsuya Okada 6.9 (---)  
Naoto Kan 4.3 (3.2)  
Yukio Hatoyama 2.2 (2.2)  
Other opposition party lawmakers 3.2 (3.1)  
None 18.0 (26.1)  
D/K 4.5 (4.8)

Q: What do you think about calls from within the LDP for replacing Prime Minister Aso before the next election for the House of Representatives?

Prime Minister Aso should step down, and his successor should dissolve the Diet for a general election 24.1 (36.6)  
Prime Minister Aso should dissolve the Diet for a general election, and depending on its outcome, a new prime minister should be elected 71.4 (57.9)  
D/K 4.5 (5.5)

Q: How long do you think the Aso cabinet will continue?

Prime Minister Aso will be replaced before the next election for the House of Representatives 26.9 (44.3)  
Prime Minister Aso will be replaced, depending on the outcome of the next election for the House of Representatives 45.6 (34.9)  
Prime Minister Aso will be replaced upon his term's expiry this fall 22.3 (16.2)  
His cabinet will continue even after this fall 2.8 (2.2)  
D/K 2.4 (2.4)

Q: When do you think the next election is appropriate for the House of Representatives?

Right away 16.5 (25.2)  
After the budget's passage through the Diet or during the first half of this year 54.2 (54.8)  
Upon the current term's expiry or during the latter half of this year 26.9 (16.0)  
D/K 2.4 (4.0)

Q: Which political party would you like to vote for in the next election for the House of Representatives in your proportional representation bloc?

LDP 30.6 (25.8)  
DPJ 36.3 (42.9)  
NK 5.2 (4.9)  
JCP 4.5 (5.2)  
SDP 2.7 (1.8)  
PNP 0.8 (1.2)  
RC 0.0 (0.1)  
NPN 0.5 (0.0)  
Other political parties 8.2 (6.5)  
D/K 11.2 (11.6)

Q: What do you think is the desirable form of government after the

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next election for the House of Representatives?

LDP-led coalition government 19.6 (17.7)  
DPJ-led coalition government 31.0 (35.4)  
LDP-DPJ grand coalition 42.8 (40.6)  
D/K 6.6 (6.3)

Q: Do you think you are a 'floating voter' with no particular party affiliation?

Yes 58.4  
No 37.3  
D/K 4.3

Polling methodology: The survey was conducted March 7-8 by the Sankei Shimbun and Fuji News Network (FNN) over the telephone on a computer-aided random digit dialing (RDD) basis. For the survey, a total of 1,000 persons were sampled from among men and women, aged 20 and over, across the nation.

(2) Poll on Aso cabinet, political parties

TOKYO SHIMBUN (Page 2) (Full)  
March 9, 2009

#### Questions & Answers

(Figures shown in percentage. Parentheses denote the results of the last survey conducted Feb. 17-18.)

Q: Do you support the Aso cabinet?

Yes 16.0 (13.4)  
No 70.8 (76.6)  
Don't know (D/K) + no answer (N/A) 13.2 (10.0)

Q: (Only for those who answered "yes" to the previous question)  
What's the primary reason for your approval of the Aso cabinet? Pick only one from among those listed below.

The prime minister is trustworthy 17.0 (21.7)  
Because it's a coalition cabinet of the Liberal Democratic Party and the New Komeito 11.1 (8.8)  
The prime minister has leadership ability 4.4 (---)  
Something can be expected of its economic policies 10.6 (2.5)  
Something can be expected of its foreign policies 8.7 (10.2)  
Something can be expected of its political reforms 0.3 (0.7)  
Something can be expected of its tax reforms 1.1 (4.1)  
Something can be expected of its administrative reforms 0.6 (2.6)  
There's no other appropriate person (for prime minister) 42.3 (44.4)  
Other answers (O/A) 2.1 (2.9)  
D/K+N/A 1.8 (2.1)

Q: (Only for those who answered "no" to the first question) What's the primary reason for your disapproval of the Aso cabinet? Pick only one from among those listed below.

The prime minister is untrustworthy 25.8 (23.6)  
Because it's a coalition cabinet of the Liberal Democratic Party and the New Komeito 5.6 (3.7)  
The prime minister lacks leadership ability 22.3 (28.4)  
Nothing can be expected of its economic policies 23.3 (21.2)

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Nothing can be expected of its foreign policies 1.1 (0.6)  
Nothing can be expected of its political reforms 6.8 (5.4)  
Nothing can be expected of its tax reforms 1.3 (1.7)  
Nothing can be expected of its administrative reforms 6.3 (3.9)  
Don't like the prime minister's personal character 6.4 (8.4)  
O/A 0.3 (0.3)  
D/K+N/A 0.8 (2.8)

Q: DPJ President Ichiro Ozawa's secretary was arrested on suspicion of violating the Political Funds Control Law. DPJ President Ozawa said, "The political donations were handled in conformity with the Political Funds Control Law, and there is no problem at all." With this, he has denied that the political donations were illicit. Do

you think his account was convincing?

Yes 12.4

No 78.4

D/K+N/A 9.2

Q: DPJ President Ozawa has clarified his intention to continue as DPJ president. What do you think about this?

Continue 28.9

Resign 61.1

D/K+N/A 10.0

Q: Some DPJ lawmakers are doubtful or critical of the prosecutors' arrest of DPJ President Ozawa's secretary at this point ahead of an election for the House of Representatives. What do you think about this?

It's understandable 39.6

It's not understandable 51.1

D/K+N/A 9.3

Q: The government will now hand out a total of 2 trillion yen in cash benefits to individual households. Prime Minister Taro Aso said at first that he would not receive his cash benefit, but in the end he has decided to receive it. What do you think about this?

Take it for granted 41.3

He said he wouldn't receive it, so he should not receive it 51.8

D/K+N/A 6.9

Q: How long would you like Prime Minister Aso to remain in office?

Resign right away 26.8

Until the FY2009 budget clears the Diet 32.3

Until around June when the ordinary Diet session ends 23.4

Continue as long as possible 12.5

D/K+N/A 5.0

Q: The House of Representatives' current term is up until September this year. When would you like the House of Representatives to be dissolved for a general election?

Right away 26.7

Around June when the ordinary Diet session ends 45.6

Wait until the current term expires in September without dissolving the Diet 21.2

D/K+N/A 6.5

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Q: Would you like the present LDP-led coalition government to continue, or would you otherwise like it to be replaced with a DPJ-led coalition government?

LDP-led coalition government 31.6 (28.1)

DPJ-led coalition government 43.5 (53.4)

D/K+N/A 24.9 (18.5)

Q: Which political party are you going to vote for in the next House of Representatives election in your proportional representation bloc?

Liberal Democratic Party (LDP) 26.7 (23.9)

Democratic Party of Japan (DPJ or Minshuto) 33.9 (40.2)

New Komeito (NK) 3.7 (3.9)

Japanese Communist Party (JCP) 3.9 (3.2)

Social Democratic Party (SDP or Shaminto) 2.0 (3.8)

People's New Party (PNP or Kokumin Shinto) 1.0 (1.5)

Reform Club (RC or Kaikaku Kurabu) --- (---)

New Party Nippon (NPN or Shinto Nippon) --- (0.1)

Other political parties, groups --- (---)

D/K+N/A 28.8 (23.4)

Q: When comparing Prime Minister Taro Aso and DPJ President Ichiro Ozawa, which one do you think is more appropriate for prime

minister?

Taro Aso 25.6 (20.4)  
Ichiro Ozawa 33.6 (46.4)  
D/K+N/A 40.8 (33.2)

Q: Which political party do you support?

Liberal Democratic Party (LDP) 28.6 (27.2)  
Democratic Party of Japan (DPJ or Minshuto) 27.4 (33.6)  
New Komeito (NK) 4.0 (3.5)  
Japanese Communist Party (JCP) 3.3 (2.8)  
Social Democratic Party (SDP or Shaminto) 1.2 (3.0)  
People's New Party (PNP or Kokumin Shinto) 0.6 (1.0)  
Reform Club (RC or Kaikaku Kurabu) --- (0.1)  
New Party Nippon (NPN or Shinto Nippon) 0.1 (---)  
Other political parties, groups --- (---)  
None 32.6 (25.7)  
D/K+N/A 2.2 (3.1)

Polling methodology: The survey was conducted across the nation on March 7-8 by Kyodo News Service on a computer-aided random digit dialing (RDD) basis. Among randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,479. Answers were obtained from 1,032 persons.

(3) North Korean missile projected to land in Japan subject to interception; Missile under joint satellite surveillance with U.S.

YOMIURI (Page 15) (Abridged)  
March 11, 2009

North Korea has issued a statement saying that if its ballistic missile was shot down by Japan and the United States, that would mean a war. In response, Defense Minister Yasukazu Hamada announced yesterday that if a missile was expected to land in Japan, the

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government would intercept it by using the missile defense (MD) system. The article examines the surveillance systems of Japan and the United States and their abilities to intercept an incoming missile.

#### Surveillance systems

"We are preparing to launch the experimental communications satellite Kwang-myongsong-2 by means of delivery rocket Unha-2."

As was announced by Pyongyang last month, North Korea seems to be conducting work to assemble a Taepodong-2 ballistic missile at the Musudanri missile base facing the Sea of Japan.

Japanese and U.S. satellites are monitoring the base at present. In addition, the U.S. Air Force's RC-135S Cobra Ball ballistic missile observation aircrafts and the Maritime Self-Defense Force's EP-3 electronic-warfare aircraft and OP-3Cs have been collecting the North Korean military's radio waves, images, and other data for analyses.

According to the Defense Ministry and other sources, a ballistic missile itself was not confirmed as of March 10. Nevertheless, in view of the transport of materials, such as components, and of the passage of time, they assume that all the North has to do is assemble the missile itself after mounting it on the launch pad. To do this, the missile must be removed from the work facility on the missile site. The focus of surveillance is on when the missile shows up.

"It takes three to four days to finish assembling the missile after it is set on the pad," a person concerned said. He thinks it takes only one day to fuel the missile by using the new underground pipe line.

Once the missile is confirmed to have been moved out of the facility, the Maritime Self-Defense Force will deploy its Aegis-equipped destroyer Chokai capable of intercepting a missile to

the Sea of Japan and the U.S. 7th Fleet will also deploy its Aegis vessels there.

In view of data thus far, the North is likely to launch a Taepodong-2, which is said to have a range of up to 6,000 kilometers. Chances are high that the fired missile will pass through outer space far over the Japanese archipelago and fall into the Pacific Ocean.

Under existing legislation, the SDF is allowed to remove a danger by exercising police powers only when it is likely to cause damage to Japan. In other words, the SDF cannot intercept a missile unless it is expected to fly over Japan and cause damage to the country. For this reason, it is essential for Japan and the United States to jointly track a missile's trajectory with the aid of Aegis radars and surveillance radars across Japan and project its landing spot.

#### MD system

The MD system is a two-stage missile defense system under which the sea-based Standard Missile-3 (SM-3) is designed to intercept first a ballistic missile fired at Japan based on data from U.S. early-warning satellites and the ground-to-air Patriot Advanced Capability-3 (PAC-3) is to intercept the missile if the SM-3 failed

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to shoot it down. But the MD system now in place is capable of intercepting only missiles of the Rodong class which has a range of up to 1,300 kilometers.

The Rodong can travel up to an altitude of 150 kilometers at a speed of Mach 7 to 10. In contrast, a Taepodong-2 can travel up to an altitude of 600 kilometers at a speed far faster than that of the Rodong. The SM-3 cannot reach a Taepodong-2's altitude or speed.

A Taepodong-2 missile that failed to reach its maximum altitude could land in Japan. A senior MSDF officer explained: "In such a case, the incoming missile that is traveling at a reduced speed can be intercepted with a missile fired from an Aegis vessel within minutes of the missile's launch."

In such a case, an interceptor can be launched based on the SDF Law's Article 82 specifying steps to destroy a ballistic missile and other projectiles. A North Korean missile can land in Japan in 10 minutes or so. The defense minister therefore needs to order the SDF in advance to destroy the incoming missile in accordance with the emergency response guidelines, adopted by the cabinet in 2007.

The government is studying the propriety of issuing an advance order.

Whether it be a satellite or a delivery rocket, as was claimed by North Korea, any incoming projectile that lands in Japan can endanger human lives and property. Such a projectile is, therefore, subject to interception.

The MD system still needs to overcome many challenges. In a test conducted off Hawaii last November, the Chokai failed to shoot down a mock-up missile. Of the 15 tests carried out by the U.S. military, three have failed.

The PAC-3 system is capable of protecting an area with a radius of only up to dozens of kilometers. Too much trust cannot be put in the MD system which is still in the developmental phase.

#### Violation of UN resolution

North Korea has explained that what seemed to be preparing to launch a satellite was actually for launching a satellite. Even so, the position of Japan, the United States, and South Korea is that it violates UN Resolution 1718, unanimously adopted by the Security Council in 2006.

Because a ballistic missile and a satellite-delivery rocket are generally the same structurally, their logic is that a rocket launch is included in "activities related to a ballistic missile plan." For



this reason, if Pyongyang carries out a launch, Japan intends to aim at the adoption of a UNSC resolution condemning North Korea.

Meanwhile, the standpoint of China and Russia, North Korea's traditional allies, is that launching a satellite might not be a violation of the UN resolution. Adherence to such an interpretation by China and Russia with veto power might have a serious impact on the security of Japan. "The North might take advantage of discord in the international community," a senior Foreign Ministry official said apprehensively.

North Korea's "space development" is associated with other problems

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as well.

The Space Treaty that went into force in 1967 recognizes that every country has the right to space development. North Korea is not a signatory to the treaty. Above all, it is a problem that in pursuing "space development," the North has not carried out its international duties.

A rocket or missile launch might endanger aircrafts and vessels. The Annex to the Convention on International Civil Aviation that took effect in 1950 and the International Maritime Organization (IMO) resolution adopted in 1991 mandate an advance alarm regarding air and at sea, respectively. The North is a signatory to the aviation convention and a member of the IMO. Despite that, the North did not give alarms ahead of its launch of a Taepodong-1 in August 1998 and of a missile in 2006. This time around, the country has yet to give an advance alarm.

(4) Unpurifiable "thick layer of sediment" underlies political contributions

SANKEI (Page 23) (Abridged)  
March 11, 2009

The construction site of Isawa Dam is located about 20 km from Mizusawa Station on the JR Tohoku line in Oshu City, Iwate Prefecture, which is the electoral district of Democratic Party of Japan President Ichiro Ozawa. The dam under construction will be the nation's largest rock-filled one. Nishimatsu Construction Co., a second-tier general contractor, took on a contract to build a huge drainage facility on the dam construction site for about 4.7 billion yen.

"We asked a favor so that our company can receive orders in the dam-construction project," former Nishimatsu Construction Co. President Mikio Kunisawa reportedly said in questioning after arrested, with Takanori Okubo, Ozawa's first state-funded secretary, on charges of violating the Political Funds Control Law.

Structure of dubious donations still in place

Kunisawa was entirely in charge of negotiations with politicians. "We would like to set up a system to enable unaccountable expenditures to be thoroughly tracked," Kunisawa had said before reporters in June 1993, when the then vice president of Nishimatsu was arrested in a bribery case that led to the arrest of the then Sendai mayor. He was an executive director at that time.

However, the structure of dubious donations to politicians has still continued. It has been revealed that Nishimatsu was making donations through two dummy political organizations represented by ex-Nishimatsu executives and that donations were being made in the names of Nishimatsu's employees or subcontractors. The two dummy organizations donated nearly 200 million yen to the Ozawa side between 1995 and 2006.

A secretary to a mid-ranking lawmaker of the Liberal Democratic Party (LDP) said:

"Nishimatsu was known as a company that was making donations to a number of politicians. It was also well known that the company was particularly close to aides to Mr. Ozawa. The amounts of donations

made to the Ozawa side were also prominent."

A former executive of a general contractor commented that behind Nishimatsu's large amounts of contribution was "the aim of obtaining more orders for public works projects in the Tohoku District."

A mid-ranking general contractor's ex-executive who was once assigned to the Tohoku district stated: "Executives at leading general contractors in Sendai and secretaries to politicians were doing something like allocating to each company contracts in public works projects in the district."

Since the case of bribes by general contractors came to light, 16 years have passed. But the collusive ties between politicians and general contractors through dubious money have been preserved.

Tight-lipped local people

"I will fight Mr. Ozawa openly and squarely." A former secretary to Ozawa raised his voice near Mizusawa Station on the afternoon of March 9. The former secretary has decided to run against Ozawa in the next House of Representatives election, with the LDP's endorsement.

The former secretary reportedly had given instruction to Okubo about the mechanism of contributions and relations with the construction industry. He did not refer to this issue during the speech there.

A member of an anti-Ozawa group said:

"Something like a thick layer of sediment must have settled on his heart since he was a secretary. He must be feeling that he must purify the layer of sediment somehow. Mr. Ozawa is self-righteous. He must be informed of and have knowledge about everything. If there is a system for indirect political donations, I guess Mr. Ozawa ordered his aides to prepare the system."

Meanwhile, Okubo's presence was not conspicuous for local people. One constructor said Okubo was very eager to enter the political world, quoting him as saying in the Diet members' office building in Nagata-cho, "Since I was defeated in the Kamaishi mayoral election, I have studied (politics) from scratch."

Although people in Ozawa's constituency were tight-lipped, one of Ozawa's local supporters made this remark in defending Ozawa and Okubo:

"Mr. Okubo did not like a man who controls the construction industry. In Iwate Prefecture and the Tohoku district, bid-rigging practices were carried out often from before. But it was a long time ago. Constructors who have made contributions to Mr. Ozawa in the hope of getting his favor over public works projects in return might believe that Mr. Ozawa is still influential."

(5) G-20 financial ministerial to kick off on the 13th: Cooperation with emerging countries to be aimed at

MAINICHI (Page 9) (Full)  
March 11, 2009

A meeting of finance ministers and central bank governors from the Group of Twenty (G-20), which includes newly emerging countries as

well as Japan, the U.S. and Europe will take place on March 13-14 in a suburb of London. In an effort to overcome the ongoing recession, the meeting amid the worsening global financial and economic crisis will aim for cooperation over economic stimulus measures that involve fast merging countries like China, as well. Another challenge is to materialize measure to prevent a recurrence of a financial crisis in the run-up to the second round of the emergency financial summit to be held on April 2. Finance Minister, State

Minister for Financial Services and State Minister for Economic and Fiscal Policy Kaoru Yosano and Bank of Japan Deputy Governor Kiyohiko Nishimura will attend from Japan.

A senior U.S. government official indicated a stance of urging Japan, European countries and emerging countries to promote additional stimulus measures through more public spending and monetary easing.

The U.S. government is becoming impatient, because even though it has enacted the largest-ever economic stimulus package costing 787 billion dollars or roughly 77 trillion yen, the chain reaction of the financial woes and a decline in the real economy is continuing. Public money has been injected into CitiGroup Inc. and AIG. However, the Dow Jones Industrial Average hit a 12-year low, falling below the 7,000 dollar level.

In Europe, though central banks have lowered interest rates to the lowest-ever level, their economies are continuing to decline. Japan's annualized economic growth in real terms for the October-December quarter of 2009 also fell 12.7 PERCENT . Both Europe and Japan have yet to find a path to overcome the recession.

Japan, the U.S. and Europe want to prevent the global recession from worsening further, by seeking cooperation from emerging countries, such as China, in the form of a large-scale increase in public spending, etc. However, emerging countries are strongly dissatisfied with European countries and the U.S. being unable to come up with effective measures to address the financial crunch and an accelerating protectionist trend. To what extent additional economic stimulus measures can produce effects is unclear.

In the meantime, a major challenge is how far financial regulatory reforms can be implemented in accordance with the action program agreed upon at the first round of the financial summit held in November last year. Among items included in the program, member nations are all in agreement with the introduction of regulations on credit-rating companies. However, there is a wide gap between European countries and the U.S. over a proposal for regulating hedge funds with European countries being positive about the idea, while the U.S. is strongly opposing state intervention. The interests of industrialized countries and emerging countries are clashing over a proposal for strengthening the functions of the International Monetary Fund (IMF). Efforts to draft concrete measures will likely encounter complications.

(6) New regulations on international financing urged

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March 11, 2009

Takatoshi Ito, Tokyo University graduate school professor

What breakthrough measures will Japan, the U.S., European countries

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and emerging countries propose in the face of the chain reaction of the financial crisis and the global recession? Mainichi Shimbun asked Tokyo University graduate school Professor Takatoshi Ito, who once served as deputy vice finance minister for international financial affairs at the Finance Ministry, about what are on the agenda for a meeting of finance ministers and central bank governors from the Group of 20 nations, which is to kick off on March 13.

-- What will be the focus of a meeting of the G-20 finance ministerial and central bank governors?

"A delay in taking measures to handle the financial crisis mainly in the U.S. is inflating jitters of the financial market and the recession. The current crisis is mainly attributable to a delay in responses caused by the absence of an international framework that manages and monitors giant financial groups operating beyond borders. Efforts to create a new system for supervising and regulating international financing should be accelerated at the upcoming meeting and the second round of emergency summit (financial) summit.

-- What about measures to address the global recession and plunging stock prices?

"It is possible to declare cooperation to overcome the global recession in a joint statement. In reality, however, various countries might be able to prevent the recession from worsening through repeated self-help efforts, such as public spending and monetary easing. What is more important is to pave the way to reconstruct international financing, including how to prevent a recurrence of a financial crisis. Though such an approach may not produce an immediate effect as a measure to address the plunging stock prices and the recession, it should help eliminate jitters of the market."

-- There is a gulf between European countries and the U.S. over financial oversight and strengthening regulations.

"Given the case of CitiGroup, which has been placed under state control, too, it is clear that U.S.-style financial regulations have failed. The U.S. in the end will become unable to counter European countries' call for strengthening regulations to stabilize the financial system. It is important to discuss ways to strengthen a safety net in preparation for a global financial and economic crisis. Presumably, the trend is that the functions of the IMF will be strengthened.

ZUMWALT